

**CARSONVILLE-PORT SANILAC SCHOOLS**

Carsonville, Michigan

Report on Financial Statements  
(with additional information)  
June 30, 2008

**CARSONVILLE-PORT SANILAC SCHOOLS**  
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November 5, 2008

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Carsonville-Port Sanilac Schools  
Carsonville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carsonville-Port Sanilac Schools as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Carsonville-Port Sanilac Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Carsonville-Port Sanilac Schools as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2008, on our consideration of Carsonville-Port Sanilac Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages / through ix and page 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion it.

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Board of Education  
Carsonville-Port Sanilac Schools  
November 5, 2008

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Carsonville-Port Sanilac Schools' basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

## **Carsonville-Port Sanilac Schools**

### **Management's Discussion and Analysis**

#### **For Fiscal Year Ended June 30, 2008**

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Carsonville-Port Sanilac School District, a K-12 school district located in Sanilac County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to provide, in layman's term, a look at the district's performance and past and current position.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements and Management Discussion and Analysis (MD&A) – for State and Local Governments issued in June of 2000. This is our fifth year of implementation so certain comparative information between the current year and the prior year is required to be presented in the MD&A. Our district has met those requirements to our knowledge.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

#### **Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

#### **Government-wide Financial Statements**

The government-wide financial statements, required by GASB 34, are calculated using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

# **Carsonville-Port Sanilac School District**

## **Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008**

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### **Summary of Net Assets**

The following schedule summarizes the net assets at fiscal year ended June 30, 2008:

<b>Assets</b>	<b>2008</b>	<b>2007</b>
Current assets	\$2,014,961	\$1,914,804
Deferred costs	52,410	55,539
Capital assets	13,351,492	13,351,492
Less: Accumulated depreciation	<u>(6,250,957)</u>	<u>(5,874,834)</u>
Total assets	<u>\$ 9,167,906</u>	<u>\$ 9,447,001</u>
<b>Liabilities</b>		
Current liabilities	\$ 795,978	\$ 911,631
Long-term liabilities	<u>6,783,510</u>	<u>7,079,046</u>
Total liabilities	<u>\$ 7,579,488</u>	<u>\$ 7,990,677</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$ 45,205	\$ 34,656
Restricted for debt service	557,716	562,366
Unrestricted	<u>985,497</u>	<u>859,302</u>
Total net assets	<u>1,588,418</u>	<u>1,456,324</u>
Total liabilities and net assets	<u>\$ 9,167,906</u>	<u>\$ 9,447,001</u>

### **Analysis of Financial Position**

During the fiscal year ended June 30, 2008, the District's net assets increased by \$ 132,094. A few of the more significant factors affecting net assets during the year are discussed below.

#### **1. Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

## Carsonville-Port Sanilac School District

### Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2008

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Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2008, \$ 376,123 was recorded for depreciation expense.

## 2. Capital Outlay Acquisitions

Capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$376,123 for the fiscal year ended June 30, 2008.

## Results of Operations

For the fiscal year ended June 30, 2008, the results of operations, on a District-wide basis, were:

General Revenues	2008	%	2007	%
Property taxes	\$ 1,576,515	26.24 %	\$ 1,612,415	26.52%
Investment earnings	10,256	.17%	12,714	.21%
State sources	3,792,531	63.13%	3,842,797	63.20%
Other	<u>140,061</u>	<u>2.33%</u>	<u>118,537</u>	<u>1.95%</u>
Total general revenues	<u>\$ 5,519,363</u>	<u>91.87%</u>	<u>\$ 5,586,463</u>	<u>91.88%</u>
<b>Program Revenues</b>				
Charges for services	\$ 109,219	1.82%	\$ 108,490	1.79%
Operating grants	<u>379,044</u>	<u>6.31%</u>	<u>385,167</u>	<u>6.33%</u>
Total program revenues	<u>488,263</u>	<u>8.13%</u>	<u>493,657</u>	<u>8.12%</u>
Total revenues	<u>\$6,007,626</u>	<u>100.00%</u>	<u>\$ 6,080,120</u>	<u>100.00%</u>
<b>Expenses</b>				
Instruction	\$3,123,517	53.16%	\$ 3,034,134	53.12%
Support services	1,612,748	27.45%	1,535,566	26.88%
Transfer to other districts	20,063	.34%	6,472	.11%
Food services	235,993	4.02%	235,846	4.13%
Athletics	178,162	3.03%	154,679	2.71%
Interest on long-term debt	308,216	5.25%	323,709	5.67%
Unallocated depreciation	376,123	6.40%	400,140	7.01%
Amortization	20,250	.34%	20,249	.35%
Other	<u>460</u>	<u>.01%</u>	<u>1,239</u>	<u>.02%</u>
Total expenses	<u>\$5,875,532</u>	<u>100.00%</u>	<u>\$ 5,712,034</u>	<u>100.00%</u>
Increase in net assets	<u>\$ 132,094</u>		<u>\$ 368,086</u>	

## Carsonville-Port Sanilac School District

### Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2008

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#### Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

##### 1. Property Taxes

The District levies 18 mills of property taxes for operations on non-homestead properties. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2007-2008 fiscal year, the district levied \$ 899,523 non-homestead property taxes. This represented an increase of 8.3% from the prior year. The amount of unpaid property taxes at June 30, 2008, less an estimate for those deemed to be un-collectible, was \$22,403.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-homestead Tax Levy	% Increase (Decrease) from prior year
2007 - 2008	\$ 899,523	8.32%
2006 - 2007	\$ 830,410	1.60%
2005 - 2006	\$ 817,203	6.77%
2004 - 2005	\$ 765,384	3.40%
2003 - 2004	\$ 740,285	10.80%
2002 - 2003	\$ 668,581	1.60%
2001 - 2002	\$ 658,606	9.20%
2000 - 2001	\$ 603,342	6.70%
1999 - 2000	\$ 565,480	4.70%

##### 2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the September 2007 count and 25% of the February 2007 count. For the 2007 - 2008 fiscal year, the District's foundation allowance was \$ 7,204 per student FTE.



## **Carsonville-Port Sanilac School District**

### **Management's Discussion and Analysis**

**For Fiscal Year Ended June 30, 2008**

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#### **3. Student Enrollment**

The following schedule compares actual to budgeted FTE for the blended student enrollment for the past eight fiscal years:

	Actual Blended Student FTE	Budgeted Blended Student FTE	Variance Favorable (Unfavorable)
2007 - 2008	624.73	624.73	0
2006 - 2007	628.75	628.75	0
2005 - 2006	632.13	632.00	0.13
2004 - 2005	632.00	632.00	0
2003 - 2004	623.00	623.00	0
2002 - 2003	630.50	615.00	15.50
2001 - 2002	644.00	646.00	(2)
2000 - 2001	665.96	646.20	19.76

#### **4. Operating Grants**

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2008, federal, state and other grants accounted for \$379,044. This represents a decrease of \$6,123 over the total grant sources received for the 2006 - 2007 fiscal year.

#### **5. County Special Education Allocation**

For the fiscal year ended June 30, 2008, the District received an allocation from the Sanilac Intermediate School District in the amount of \$ 33,200 to assist with the education of students with special needs.

#### **6. Interest Earnings**

The District received interest on its investments in the amount of \$10,256 for the fiscal year ended June 30, 2008. Interest revenues decreased from the prior fiscal year by \$ 2,458.

**Carsonville-Port Sanilac Schools**  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2008

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**7. Comparative Expenditures**

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund balances is shown below.

Expenditures	2007 – 2008 Fiscal Year	2006 – 2007 Fiscal Year	Increase (Decrease)
Instruction	\$ 3,129,455	\$ 3,052,664	\$ 76,791
Supporting services	1,615,293	1,543,508	71,785
Food service activities	235,993	235,846	147
Athletic activities	178,162	154,679	23,483
Debt service	<u>590,481</u>	<u>750,748</u>	<u>(160,267)</u>
Total expenditures	\$ <u>5,749,384</u>	<u>\$5,737,445</u>	<u>\$ 11,939</u>

## Carsonville-Port Sanilac Schools

### Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2008

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#### General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1<sup>st</sup>. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30<sup>th</sup>.

For the 2007 – 2008 fiscal year, the district amended the general fund budget two times with the Board adopting the final changes in June 2008. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance with Final Budget- positive (negative)	% Variance
Total revenues	<u>\$ 4,814,449</u>	<u>\$ 5,009,893</u>	<u>\$ 5,044,638</u>	<u>\$ 34,745</u>	.69%
Expenditures:					
Instruction	\$ 3,330,792	3,114,178	3,129,455	(15,277)	(.49)%
Supporting services	<u>1,427,482</u>	<u>1,557,224</u>	<u>1,615,293</u>	<u>(58,069)</u>	(3.73)%
Total expenditures	4,758,274	4,671,402	4,744,748	(73,346)	(1.57)%
Other financing Sources	<u>( 54,342)</u>	<u>(188,706)</u>	<u>(174,842)</u>	<u>13,864</u>	7.35%
Excess of revenue over Expenditures & other Sources	<u>\$ 1,833</u>	149,786	125,048	<u>(\$ 24,738)</u>	16.52%
Fund Balance – Beginning of year		<u>820,295</u>	<u>820,295</u>		
Fund Balance – End of year		<u>\$ 970,081</u>	<u>\$ 945,343</u>		

## **Carsonville-Port Sanilac School District**

### **Management's Discussion and Analysis**

**For Fiscal Year Ended June 30, 2008**

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#### **Capital Asset and Debt Administration**

##### **Capital Assets**

By the end of the 2007 – 2008 fiscal year, the district had invested \$ 13,351,492 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. Depreciation expense for the year amounted to \$ 376,123 bringing the accumulation to \$6,250,957 as of June 30, 2008.

##### **Long- term Debt**

At June 30, 2008, the District had nearly \$7,342,108, in bonded debt outstanding. This represents a reduction of \$403,793 over the amount outstanding at the closed of the prior fiscal year as no new debt was issued in the 2007– 2008 fiscal year.

##### **Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future.

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2008 – 2009 fiscal year.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance. Additionally, while the State has managed to keep the growth in the rate districts fund the retirement system over the past few years, the increase in the number of retirees projected to occur over the next few years may result in higher annual increases.
- The contracts with the Carsonville-Port Sanilac Schools Education Association, the union that represents the teaching staff, International Union of Operating Engineers, the union that represents the custodial and support staff, have all been settled and expire August 31, 2009. Contracts with all administrators and the bus driver association are all settled with a 2009 expiration date as well.
- The state of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Education Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Behind Act, adequate yearly progress of students will be more important as certain portions of funding are now tied to it.

## **Carsonville-Port Sanilac School District**

### **Management's Discussion and Analysis**

**For Fiscal Year Ended June 30, 2008**

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#### **Next Years Proposed Budget 08/09**

For this Proposed Budget hearing we wish to comply with Section 16 of the Uniform Budgeting and Accounting Act and state that our proposed property tax millage rate to be levied this fall is 18 mills. This will generate \$911,028 in local property taxes. This is based on the Non-Homestead Taxable Value of \$49,973,547.

#### **Revenue:**

The local revenue was adjusted to reflect student enrollment figures from the February 2008 and projected fall 2008 count.

#### **Expenses:**

The pay scales have moved the employees to the appropriate wage steps for the upcoming year and adjusted for contract settlements.

The healthcare benefits have increased for MESSA health insurances for the teachers and the Health Savings Accounts for the other employee groups. Many support employees of the district have switched to another insurance plan; Health Savings Account. This has saved both the district and the employees several dollars in health care.

The district continues to operate with a half-time Superintendent. This saves the district approximately \$121,000 per year.

The district continues to be creative with staffing and operation of the school district. We now operate with a half time Principal as well.

We have increased operation and maintenance budgets for increased electric and gas costs.

The district leases its busses, which allows us to have a newer bus fleet and saves on maintenance costs.

#### **Contracting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact:

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Margie Christenbery, Business Manager  
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## BASIC FINANCIAL STATEMENTS

**CARSONVILLE-PORT SANILAC SCHOOLS****STATEMENT OF NET ASSETS**

June 30, 2008

	<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>
<b>CURRENT ASSETS:</b>		
Cash and equivalents		\$ 1,152,128
Accounts receivable		32,020
Property taxes receivable		22,403
Due from other governmental units		808,410
Due from Agency funds		-
<b>TOTAL CURRENT ASSETS</b>		<b>2,014,961</b>
<b>NONCURRENT ASSETS:</b>		
Deferred costs, net of amortization		52,410
Capital assets		13,351,492
Less accumulated depreciation		(6,250,957)
<b>TOTAL NONCURRENT ASSETS</b>		<b>7,152,945</b>
<b>TOTAL ASSETS</b>		<b>\$ 9,167,906</b>
	<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>		
Accounts payable		\$ 15,796
Accrued salaries & wages		271,954
Accrued payroll taxes		20,805
Benefits payable		28,553
Retirement payable		44,404
Deferred revenue		33,000
Other liabilities		-
Accrued interest		49,033
Current portion of long term debt		310,445
Current portion of compensated absences		21,988
<b>TOTAL CURRENT LIABILITIES</b>		<b>795,978</b>
<b>NONCURRENT LIABILITIES:</b>		
Noncurrent portion of long term debt		6,744,885
Compensated absences		38,625
<b>TOTAL NONCURRENT LIABILITIES</b>		<b>6,783,510</b>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt		45,205
Restricted for debt service		557,716
Unrestricted		985,497
<b>TOTAL NET ASSETS</b>		<b>1,588,418</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>\$ 9,167,906</b>

The accompanying notes are an integral part of the financial statements.

**CARSONVILLE-PORT SANILAC SCHOOLS****STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 3,123,517		\$ 173,425	\$ (2,950,092)
Support services	1,612,748		74,325	(1,538,423)
Transfers to other districts	20,063			(20,063)
Food services	235,993	\$ 80,223	131,294	(24,476)
Athletics	178,162	28,996		(149,166)
Interest on long-term debt	308,216		-	(308,216)
Other	460			(460)
Amortization	20,250			(20,250)
Unallocated depreciation	376,123			(376,123)
Total governmental activities	<u>\$ 5,875,532</u>	<u>\$ 109,219</u>	<u>\$ 379,044</u>	<u>(5,387,269)</u>
General revenues:				
Property taxes, levied for general purposes				929,093
Property taxes, levied for debt service				647,422
State of Michigan school aid unrestricted				3,792,531
Investment revenue				10,256
Miscellaneous				140,061
Total general revenue				<u>5,519,363</u>
Change in net assets				132,094
Net assets, beginning of year				1,456,324
Net assets, end of year				<u>\$ 1,588,418</u>

The accompanying notes are an integral part of the financial statements.



**CARSONVILLE-PORT SANILAC SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2008

	GENERAL FUND	2005 REFUNDING	2001 ENERGY CONSERVATION IMPROVEMENT BOND (QZAB)	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b><u>ASSETS</u></b>					
CURRENT ASSETS:					
Cash and equivalents	\$ 527,838	\$ 326,619	\$ 279,918	\$ 17,753	\$ 1,152,128
Accounts receivable	30,135			1,885	32,020
Due from other governmental units	808,410				808,410
Due from other funds	-	212		6,316	6,528
Due from Agency funds	-				-
<b>TOTAL ASSETS</b>	<b><u>\$ 1,366,383</u></b>	<b><u>\$ 326,831</u></b>	<b><u>\$ 279,918</u></b>	<b><u>\$ 25,954</u></b>	<b><u>\$ 1,999,086</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>					
LIABILITIES:					
Accounts payable	\$ 15,796				\$ 15,796
Accrued salaries & wages	271,954				271,954
Due to other funds	6,528			-	6,528
Accrued payroll taxes	20,805				20,805
Benefits payable	28,553				28,553
Retirement payable	44,404				44,404
Deferred revenue	33,000				33,000
Other liabilities	-				-
<b>TOTAL LIABILITIES</b>	<b><u>421,040</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>421,040</u></b>
FUND BALANCE:					
Reserved for debt service		\$ 326,831	\$ 279,918	\$ -	606,749
Unreserved:					
Designated for maintenance fund	57,030				57,030
Designated for compensated absences	60,613				60,613
Designated for Bus Lease	74,719				74,719
Undesignated	752,981			25,954	778,935
<b>TOTAL FUND BALANCE</b>	<b><u>945,343</u></b>	<b><u>326,831</u></b>	<b><u>279,918</u></b>	<b><u>25,954</u></b>	<b><u>1,578,046</u></b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$ 1,366,383</u></b>	<b><u>\$ 326,831</u></b>	<b><u>\$ 279,918</u></b>	<b><u>\$ 25,954</u></b>	<b><u>\$ 1,999,086</u></b>

The accompanying notes are an integral part of the financial statements.

**CARSONVILLE-PORT SANILAC SCHOOLS**  
Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Assets  
June 30, 2008

**Total Fund Balances - Governmental Funds** **\$ 1,578,046**

Amounts reported for governmental activities in the statement of  
net assets are different because:

Capital assets used in governmental activities are not  
financial resources and are not reported in the funds

The cost of the capital assets is: 13,351,492  
Accumulated depreciation is: (6,250,957)

Long term liabilities are not due and payable in the current  
period and are not reported in the funds

Bonds payable: (7,342,108)  
Deferred bond premium (23,607)  
Deferred bond discount 25,193  
Deferred amount on bond refunding 285,192  
Compensated absences: (60,613)

Accrued interest is not reported as a liability in governmental  
funds; it is recorded when paid:

Accrued interest (49,033)  
Deferred costs for bond refunding 52,410

Balance of taxes receivable at 06/30/08 less allowance for doubtful  
accounts, expected to be collected after September 1, 2008 22,403

**Net Assets of Governmental Activities** **\$ 1,588,418**

The accompanying notes are an integral part of the financial statements.

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	<b>GENERAL FUND</b>	<b>2005 REFUNDING</b>	<b>2001 ENERGY CONSERVATION IMPROVEMENT BOND (QZAB)</b>	<b>OTHER NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES:</b>					
Local sources	\$1,017,038	\$ 648,509	\$ 5,336	\$ 110,275	\$ 1,781,158
State sources	3,779,850	-		12,681	3,792,531
Federal sources	247,750			131,294	379,044
<b>TOTAL REVENUES</b>	<b>5,044,638</b>	<b>648,509</b>	<b>5,336</b>	<b>254,250</b>	<b>5,952,733</b>
<b>EXPENDITURES:</b>					
Instruction	3,129,455				3,129,455
Supporting services	1,615,293				1,615,293
Food services				235,993	235,993
Athletic services				178,162	178,162
Debt service:					
Principal redemption		280,000		-	280,000
Interest		310,021		-	310,021
Other		310		150	460
<b>TOTAL EXPENDITURES</b>	<b>4,744,748</b>	<b>590,331</b>	<b>-</b>	<b>414,305</b>	<b>5,749,384</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>299,890</b>	<b>58,178</b>	<b>5,336</b>	<b>(160,055)</b>	<b>203,349</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers from other governmental units	45,026				45,026
Transfers from other funds	5,951	28,959	37,308	153,448	225,666
Transfers to other funds	(190,756)			(34,910)	(225,666)
Other transfers	(20,063)				(20,063)
Payments on loans	(15,000)			(102,072)	(117,072)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(174,842)</b>	<b>28,959</b>	<b>37,308</b>	<b>16,466</b>	<b>(92,109)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES &amp; OTHER SOURCES (USES)</b>	<b>125,048</b>	<b>87,137</b>	<b>42,644</b>	<b>(143,589)</b>	<b>111,240</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>820,295</b>	<b>239,694</b>	<b>237,274</b>	<b>169,543</b>	<b>1,466,806</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 945,343</b>	<b>\$ 326,831</b>	<b>\$ 279,918</b>	<b>\$ 25,954</b>	<b>\$ 1,578,046</b>

The accompanying notes are an integral part of the financial statements.

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**June 30, 2008**

<b>Total net change in fund balances - governmental funds</b>	<b>\$ 111,240</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(376,123)
Amortization expense	(20,250)
Capital outlay	-

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	50,838
Accrued interest payable at the end of the year	(49,033)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)

Principal repayments	403,793
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Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Taxes receivable at the beginning of the year	(12,536)
Taxes receivable at the end of the year	22,403

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued absences at the beginning of the year	62,375
Accrued absences at the end of the year	(60,613)

<b>Change in net assets of governmental activities</b>	<b><u>\$ 132,094</u></b>
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The accompanying notes are an integral part of the financial statements.

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
June 30, 2008

	<u><b>AGENCY FUNDS</b></u>
<u><b>ASSETS</b></u>	
CURRENT ASSETS	
Cash	\$       38,579
Accounts Receivable	
<b><i>TOTAL ASSETS</i></b>	<u><b>\$       38,579</b></u>
 <u><b>LIABILITIES AND FUND BALANCE</b></u>	
LIABILITIES:	
Due to student organizations	\$       38,579
Due to other funds	
FUND BALANCE:	-
<b><i>TOTAL LIABILITIES AND FUND BALANCE</i></b>	<u><b>\$       38,579</b></u>

The accompanying notes are an integral part of the financial statements.

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The School district was organized in 1910 and presently covers approximately 78.9 square miles covering all or parts of 8 Townships in Sanilac County. The School District operates under an elected School Board (7 members) and provides educational services to approximately 630 students.

The basic financial statements of the Carsonville-Port Sanilac Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**REPORTING ENTITY:**

The Carsonville-Port Sanilac Schools (the "District") is governed by the Carsonville-Port Sanilac Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14 and 39.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued):**

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**GOVERNMENTAL FUNDS**

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2005 Refunding and 2001 Energy Conservation Improvement Bond (QZAB) debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**OTHER NON-MAJOR FUNDS**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *1990 and School Bus (QZAB) debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

*Fiduciary funds* account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:**

**Accrual Method:**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**Modified Accrual Method:**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue:**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008 the foundation allowance was based on the pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2007 - August, 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received that are not expended by the close of the fiscal year are recorded as deferred revenue.

**Federal Revenue:**

Expenditure-driven grants are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.



**CARSONVILLE-PORT SANILAC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**ASSETS, LIABILITIES AND EQUITY:**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year.

The actual due date is September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

<b><u>FUND</u></b>	<b><u>MILLS</u></b>
General Fund – Non Homestead	18.000
Debt Service Funds	4.480

3. Prepaid Items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**ASSETS, LIABILITIES AND EQUITY (Continued):**

**4. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

**5. Capital Assets.**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are evaluated on a case-by-case basis.

**6. Compensated Absences.**

Each teacher shall be credited with thirteen (hires after 6/30/07) or sixteen (hires before 6/30/07) sick leave days at the beginning of the school year that can be accumulated to one hundred forty days. All unused sick leave days in excess of one hundred forty days shall be paid to the teacher at the end of the school year on the basis of \$25.00 per day, only after 10 years of service. Other employee groups have contracts with negotiated sick leave benefits at varying levels.

**7. Long-term obligations.**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**8. Use of Estimates.**

The process of preparing general purpose financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:**

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.
7. A significant violation of the uniform budgeting act was noted in supporting services expenditures. The actual expense exceeded the final budget by \$58,069.

**NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK:**

Cash and cash equivalents are held separately in the name of the district by each of the district's funds.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK (CONTINUED):**

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$1,405,920 of the District's bank balance of \$1,505,920 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits	\$ 1,152,128
Fiduciary Funds	<u>38,579</u>
	<u>\$ 1,190,707</u>

The District has no investments.

**NOTE 4 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:**

**Plan Description** – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine-member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-6000.

**Funding Policy** – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1<sup>st</sup> on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 4 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (CONTINUED):**

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2008 was 17.74% for July 1 through September 30, 2007 and 16.72% for October 1 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributes to MPERS for the years ended June 30, 2008, 2007, and 2006, were \$437,789, \$477,260, and \$460,447, respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits that is the responsibility of the State of Michigan.

**OTHER POST-EMPLOYMENT BENEFITS:**

Under the MPERS' Act, all retirees have the option of continuing health, dental and vision coverage. These benefits are not included in the pension benefit obligation referred to above.

**NOTE 5 - RISK MANAGEMENT:**

The District is exposed to risk of loss related to injuries to employees'. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:**

	<b>INTERFUND RECEIVABLE</b>	<b>INTERFUND PAYABLE</b>
General Fund		\$ 6,528
Special Revenue	\$ 6,316	
Debt Retirement	212	
Total	<u>\$ 6,528</u>	<u>\$ 6,528</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**NOTE 7 - OPERATING LEASES:**

The School District leases buses and office equipment under operating lease agreements that expire at various dates, respectively. Lease expense amounted to \$71,584. At June 30, 2008, future lease payments under such leases are as follows:

June 30, 2009	\$ 75,820
June 30, 2010	\$ 74,719

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 8 – CAPITAL ASSETS:**

A summary of changes in the District's capital assets follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Assets not being depreciated - land	\$ 50,000			\$ 50,000
Other capital assets:				
Land Improvements	2,441,725			2,441,725
Building and additions	9,407,076			9,407,076
Machinery and equipment	1,452,691			1,452,691
Subtotal	13,301,492	-	-	13,301,492
Accumulated depreciation:				
Land Improvements	(1,362,228)	(122,087)		(1,484,315)
Building and additions	(3,446,103)	(188,458)		(3,634,561)
Machinery and equipment	(1,066,503)	(65,578)		(1,132,081)
Subtotal	(5,874,834)	(376,123)	-	(6,250,957)
Net other capital assets	7,426,658	(376,123)	-	7,050,535
Net capital assets	\$ 7,476,658	\$ (376,123)	\$ -	\$ 7,100,535

Depreciation for the fiscal year ended June 30, 2008 amounted to \$376,123. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 9 - LONG-TERM DEBT:**

The District issues bonds to provide funds for the acquisition, construction and improvements of major facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

Copier lease, due with monthly installments of \$583 with interest at 3.32%	\$ 4,603
2000 general obligations building & site bonds due in annual installments ranging from \$220,000 to \$225,000 with interest at 5.25%	520,000
2005 general obligation building & site bonds as a result of refunding 2011-2026 bonds issued in 2000. The bond are due in annual installments ranging from \$30,000 to \$480,000 with interest ranging from 3.00% to 4.75%	6,305,000
1998 limited obligation bonds (Durant bonds) (face amount \$46,583) due in annual installments ranging from \$2,255 to \$11,663 with interest at 4.76%	27,505
2001 Qualified Zone Academy Bonds (face amount \$485,000). The bonds are interest free and repayable 5/1/2014. The District is required to set aside \$37,308 beginning on 5/1/2001 and each year thereafter. The sum of these amounts set aside, together with the interest earned thereon, will be sufficient to repay the aggregate principal amount of the bonds.	485,000
Plus: Premium on bond refunding	23,607
Less: Discount on bond refunding	(25,193)
Less: Deferred amount on bond refunding	<u>(285,192)</u>
Total bonded debt	7,055,330
Accumulated compensated absences	<u>60,613</u>
Total long-term debt	<u><u>\$ 7,115,943</u></u>

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 9 - LONG-TERM DEBT (Continued):**

The annual requirements to amortize long-term debt outstanding as of June 30, 2008 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	310,445	302,127	612,572
2010	302,716	281,876	584,592
2011	312,845	266,610	579,455
2012	322,980	254,849	577,829
2013	328,122	242,308	570,430
2014-2018	2,280,000	1,004,100	3,284,100
2019-2023	2,090,000	597,856	2,687,856
2024-2028	1,395,000	129,383	1,524,383
Total	7,342,108	3,390,054	10,421,217
Premium amount on bond refunding	23,607		23,607
Discount amount on bond refunding	(25,193)		(25,193)
Deferred amount on bond refunding	(285,192)		(285,192)
Compensated Absences	60,613		60,613
TOTAL	7,115,943	3,390,054	10,195,052

An amount of \$606,749 is available in the debt service fund to service the general obligation debt.

**CHANGES IN LONG-TERM DEBT:**

The following is a summary of the long-term debt transaction of the district for the year ended June 30, 2008:

	<u>ACCUMULATED SICK &amp; VACATION PAY</u>	<u>GENERAL OBLIGATION</u>
Long-term debt - July 1, 2007	\$ 62,375	\$ 7,745,901
Net decrease in accumulated compensated absences	(1,762)	
Repayments:		
2005 refunded debt		(35,000)
2000 debt		(245,000)
School bus (QZAB)		(102,072)
1998 debt		(15,000)
Durant debt		-
Copier capital lease		(6,721)
Long-term debt - June 30, 2008	\$ 60,613	\$ 7,342,108

Interest expense (all funds) for the year ended June 30, 2008 was \$310,964.



**CARSONVILLE-PORT SANILAC SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 10- TRANSFERS:**

Transfers between funds for the year ended June 30, 2008 were as follows:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 190,756	5,951
Athletic Fund		\$ 153,448
Debt Retirement Fund	<u>34,910</u>	<u>66,267</u>
Total Transfers	<u>\$ 225,666</u>	<u>\$ 225,666</u>

The transfer to athletic fund from general fund was to subsidize operations. The transfer from general fund to Debt Retirement was to help cover debt payments. One QZAB debt was paid off with excess transferred to General Fund. The 1990 Debt Service Fund has been repaid and the excess funds transferred to the 2005 Debt Service Fund.

**NOTE 11 – CONTINGENCY:**

The District has been named as a defendant in a tenure hearing initiated by a tenured teacher. The claim asserted is a violation of rights under the Michigan Tenure Act. The hearing on this matter has been held. The District is now awaiting the decision. This District is unable to estimate the cost of damages should the decision go against the District. The District will be responsible for any damages. The District's attorney feels there is a good chance settlement will occur.

## REQUIRED SUPPLEMENTARY INFORMATION

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>GENERAL FUND</b>			<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	
<b>REVENUES:</b>				
Local sources	\$ 896,985	\$ 1,000,178	\$ 1,017,038	\$ 16,860
State sources	3,648,211	3,768,512	3,779,850	11,338
Federal sources	269,253	241,203	247,750	6,547
<b>TOTAL REVENUES</b>	<u>4,814,449</u>	<u>5,009,893</u>	<u>5,044,638</u>	<u>34,745</u>
<b>EXPENDITURES:</b>				
Instruction	3,330,792	3,114,178	3,129,455	(15,277)
Supporting services	1,427,482	1,557,224	1,615,293	(58,069)
<b>TOTAL EXPENDITURES</b>	<u>4,758,274</u>	<u>4,671,402</u>	<u>4,744,748</u>	<u>(73,346)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>56,175</u>	<u>338,492</u>	<u>299,890</u>	<u>(38,602)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers to other funds	(7,035)	(190,187)	(190,756)	(569)
Transfers from other funds		-	5,951	5,951
Transfers from other governmental units		36,549	45,026	8,477
Other transfers		(20,068)	(20,063)	5
Sale of school property		-	-	-
Proceeds from capital lease		-	-	-
Payments on loans	(47,307)	(15,000)	(15,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(54,342)</u>	<u>(188,706)</u>	<u>(174,842)</u>	<u>13,864</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES &amp; OTHER SOURCES (USES)</b>	<u>\$ 1,833</u>	<u>149,786</u>	<u>125,048</u>	<u>\$ (24,738)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>		820,295	820,295	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 970,081</u>	<u>\$ 945,343</u>	

## ADDITIONAL INFORMATION

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
**JUNE 30, 2008**

	<u>1990 DEBT SERVICE</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL 2008</u>
<b><u>ASSETS</u></b>			
Cash in bank	\$ -	\$ 17,753	\$ 17,753
Accounts receivable		1,885	1,885
Due from other funds	-	6,316	6,316
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 25,954</u></b>	<b><u>\$ 25,954</u></b>
 <b><u>LIABILITIES &amp; FUND BALANCE</u></b>			
LIABILITIES:			
Due to other funds	-	-	-
<b><u>TOTAL LIABILITIES</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
FUND BALANCE	\$ -	\$ 25,954	\$ 25,954
<b><u>TOTAL LIABILITIES &amp; FUND BALANCE</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 25,954</u></b>	<b><u>\$ 25,954</u></b>

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	1990 DEBT SERVICE	SCHOOL BUS (QZAB)	SPECIAL REVENUE	TOTAL 2008
REVENUES:				
Local sources	\$ 172	\$ 724	\$ 109,379	\$ 110,275
State sources			12,681	12,681
Federal sources			131,294	131,294
<b>TOTAL REVENUES</b>	<b>172</b>	<b>724</b>	<b>253,354</b>	<b>254,250</b>
EXPENDITURES:				
Food services			235,993	235,993
Athletic services			178,162	178,162
Debt service:				
Principal redemption	-			-
Interest	-			-
Other	150			150
<b>TOTAL EXPENDITURES</b>	<b>150</b>	<b>-</b>	<b>414,155</b>	<b>414,305</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	22	724	(160,801)	(160,055)
OTHER FINANCING SOURCES (USES):				
Transfers from other governmental units				-
Transfers from other funds			153,448	153,448
Transfers to other funds	(28,959)	(5,951)		(34,910)
Other transfers	-			-
Payments on loans		(102,072)		(102,072)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(28,959)</b>	<b>(108,023)</b>	<b>153,448</b>	<b>16,466</b>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	(28,937)	(107,299)	(7,353)	(143,589)
FUND BALANCE - BEGINNING OF YEAR	28,937	107,299	33,307	169,543
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 25,954	\$ 25,954

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER**  
**FINANCING SOURCES COMPARED TO BUDGET**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property Tax		\$ 919,226	
Tuition & Fees		56,259	
Interest income		2,777	
Other		38,776	
TOTAL REVENUE FROM LOCAL SOURCES	<u>\$ 1,000,178</u>	<u>1,017,038</u>	<u>\$ 16,860</u>
REVENUE FROM STATE SOURCES:			
State aid		3,531,697	
Drivers education		-	
Other state grants		248,153	
TOTAL REVENUE FROM STATE SOURCES	<u>3,768,512</u>	<u>3,779,850</u>	<u>11,338</u>
REVENUE FROM FEDERAL SOURCES:			
Title I		169,973	
IDEA Project #050450/0405		33,200	
Rural & Low Income		1,227	
Drug Free		710	
Other Federal Revenue		42,640	
TOTAL REVENUE FROM FEDERAL SOURCES	<u>241,203</u>	<u>247,750</u>	<u>6,547</u>
OTHER FINANCING SOURCES:			
Proceeds from capital lease	-	-	-
Sale of fixed assets	-	-	-
Operating transfers in	-	5,951	5,951
Transfers from other government units	36,549	45,026	8,477
TOTAL OTHER FINANCING SOURCES	<u>36,549</u>	<u>50,977</u>	<u>(14,428)</u>
TOTAL REVENUES	<u>\$ 5,046,442</u>	<u>\$ 5,095,615</u>	<u>\$ 49,173</u>

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER**  
**FINANCING SOURCES COMPARED TO BUDGET**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
Basic Programs:			
Elementary:			
Professional Salaries		\$ 624,557	
Non-Professional Salaries		40,508	
Insurance Benefits		179,903	
FICA, Retirement, etc.		277,499	
Other Benefits		-	
Purchased Services		249	
Supplies		21,088	
Capital Outlay		-	
Miscellaneous		959	
Total Elementary	<u>\$ 1,095,001</u>	<u>1,144,743</u>	<u>\$ (49,742)</u>
Secondary:			
Professional Salaries		681,781	
Non-Professional Salaries		15,738	
Insurance Benefits		151,052	
FICA, Retirement, etc.		248,319	
Other Benefits		-	
Purchased Services		548	
Supplies		44,107	
Capital Outlay		920	
Miscellaneous		10,892	
Total Secondary	<u>1,154,105</u>	<u>1,153,357</u>	<u>748</u>
Latch Key:			
Professional Salaries		-	
Non-Professional Salaries		43,647	
Insurance Benefits		-	
FICA, Retirement, etc.		8,578	
Other Benefits		-	
Purchased Services		-	
Supplies		2,032	
Capital Outlay		-	
Miscellaneous		221	
Total Latch Key	<u>54,495</u>	<u>54,478</u>	<u>17</u>



**CARSONVILLE-PORT SANILAC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER**  
**FINANCING SOURCES COMPARED TO BUDGET**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
Added Needs:			
Special Education:			
Professional Salaries		\$ 179,186	
Non-Professional Salaries		26,414	
Insurance Benefits		78,801	
FICA, Retirement, etc.		62,062	
Other Benefits		-	
Purchased Services		71,255	
Supplies		1,266	
Capital Outlay		12,107	
Miscellaneous		708	
Total Special Education	<u>\$ 432,763</u>	<u>431,809</u>	<u>\$ 954</u>
Federal Programs:			
Professional Salaries		97,945	
Non-Professional Salaries		12,032	
Insurance Benefits		20,032	
FICA, Retirement, etc.		28,555	
Other Benefits		-	
Purchased Services		-	
Supplies		19,064	
Capital Outlay		-	
Miscellaneous		-	
Total Federal Programs	<u>214,993</u>	<u>177,628</u>	<u>37,365</u>
Compensatory Education (At-Risk):			
Professional Salaries		106,105	
Non-Professional Salaries		-	
Insurance Benefits		32,217	
FICA, Retirement, etc.		25,034	
Other Benefits		-	
Purchased Services		-	
Supplies		3,679	
Capital Outlay		-	
Miscellaneous		405	
Total Compensatory Education (At-Risk)	<u>162,820</u>	<u>167,440</u>	<u>(4,620)</u>
<b>TOTAL INSTRUCTION:</b>	<u><b>3,114,178</b></u>	<u><b>3,129,455</b></u>	<u><b>(15,277)</b></u>

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER**  
**FINANCING SOURCES COMPARED TO BUDGET**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES:			
Pupil Services:			
Guidance Services:			
Professional Salaries		\$ 53,659	
Non-Professional Salaries		9,274	
Insurance Benefits		20,155	
FICA, Retirement, etc.		15,412	
Other Benefits		-	
Purchased Services		335	
Supplies		133	
Capital Outlay		-	
Miscellaneous		-	
Total Guidance Services	<u>\$ 99,706</u>	<u>98,968</u>	<u>\$ 738</u>
Improvement of Instruction:			
Professional Salaries		-	
Non-Professional Salaries		-	
FICA, Retirement, etc.		96	
Purchased Services		15,183	
Supplies		13,155	
Total Improvement of Instruction	<u>27,884</u>	<u>28,434</u>	<u>(550)</u>
Library:			
Professional Salaries		41,147	
Non-Professional Salaries		-	
Insurance Benefits		15,068	
FICA, Retirement, etc.		9,638	
Other Benefits		-	
Purchased Services		-	
Supplies		4,772	
Capital Outlay		-	
Miscellaneous		-	
Total Library	<u>70,617</u>	<u>70,625</u>	<u>(8)</u>

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER**  
**FINANCING SOURCES COMPARED TO BUDGET**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services, (Continued):			
General Administration:			
Professional Salaries		-	
Non-Professional Salaries		\$ 107,243	
Insurance Benefits		17,599	
FICA, Retirement, etc.		9,153	
Other Benefits		-	
Purchased Services		31,665	
Supplies		1,978	
Capital Outlay		925	
Miscellaneous		4,984	
Total General Administration	<u>\$ 175,240</u>	<u>173,547</u>	<u>\$ 1,693</u>
School Administration:			
Professional Salaries		81,035	
Non-Professional Salaries		47,318	
Insurance Benefits		48,099	
FICA, Retirement, etc.		37,644	
Other Benefits		-	
Purchased Services		60,839	
Supplies		2,340	
Capital Outlay		-	
Miscellaneous		535	
Total School Administration	<u>282,169</u>	<u>277,810</u>	<u>4,359</u>
Board of Education			
Professional Salaries		2,345	
Non-Professional Salaries		-	
Insurance Benefits		-	
FICA, Retirement, etc.		161	
Other Benefits		-	
Purchased Services		12,138	
Supplies		-	
Capital Outlay		-	
Miscellaneous		2,432	
Total Board of Education	<u>17,760</u>	<u>17,076</u>	<u>684</u>

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER**  
**FINANCING SOURCES COMPARED TO BUDGET**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services, (Continued):			
Business - Fiscal Services:			
Professional Salaries		\$ 50,171	
Non-Professional Salaries		-	
Insurance Benefits		16,867	
FICA, Retirement, etc.		24,446	
Other Benefits		-	
Purchased Services		10,532	
Supplies		584	
Capital Outlay		-	
Miscellaneous		12,139	
Total Business - Fiscal Services:	<u>\$ 116,913</u>	<u>114,739</u>	<u>\$ 2,174</u>
Operation of Plant:			
Professional Salaries		-	
Non-Professional Salaries		139,195	
Insurance Benefits		53,741	
FICA, Retirement, etc.		34,650	
Other Benefits		-	
Purchased Services		249,581	
Supplies		19,272	
Capital Outlay		2,805	
Miscellaneous		463	
Total Operation of Plant	<u>498,727</u>	<u>499,507</u>	<u>(780)</u>
Pupil Transportation:			
Professional Salaries		-	
Non-Professional Salaries		89,892	
Insurance Benefits		12,890	
FICA, Retirement, etc.		23,959	
Other Benefits		-	
Purchased Services		80,697	
Supplies		51,091	
Capital Outlay		-	
Miscellaneous		1,971	
Total Pupil Transportation	<u>192,930</u>	<u>260,500</u>	<u>(67,570)</u>

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER**  
**FINANCING SOURCES COMPARED TO BUDGET**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services, (Continued):			
Technology:			
Purchased Services		\$ 42,815	
Supplies		4,678	
Capital Outlay		26,594	
Total Technology	<u>\$ 75,278</u>	<u>74,087</u>	<u>\$ 1,191</u>
TOTAL SUPPORTING SERVICES	<u>1,557,224</u>	<u>1,615,293</u>	<u>(58,069)</u>
TOTAL EXPENDITURES	<u>4,671,402</u>	<u>4,744,748</u>	<u>(73,346)</u>
OTHER FINANCING USES:			
Transfers to other funds	190,187	190,756	(569)
Other transfers	20,068	20,063	5
Payments on loans	15,000	15,000	-
TOTAL OTHER FINANCING USES	<u>225,255</u>	<u>225,819</u>	<u>(564)</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u><b>\$ 4,896,657</b></u>	<u><b>\$ 4,970,567</b></u>	<u><b>\$ (73,910)</b></u>

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2008

	<u>FOOD SERVICES</u>	<u>ATHLETICS</u>	<u>TOTAL 2008</u>
<b><u>ASSETS</u></b>			
Cash in bank	\$ 12,919	\$ 4,834	\$ 17,753
Accounts receivable	1,885		1,885
Due from other funds	6,316	-	6,316
Due from other governmental units	-		-
<b><i>TOTAL ASSETS</i></b>	<b><u><u>\$ 21,120</u></u></b>	<b><u><u>\$ 4,834</u></u></b>	<b><u><u>\$ 25,954</u></u></b>
 <b><u>LIABILITIES &amp; FUND BALANCE</u></b>			
LIABILITIES:			
Due to other funds	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
 FUND BALANCE	 \$ 21,120	 \$ 4,834	 \$ 25,954
<b><i>TOTAL LIABILITIES &amp; FUND BALANCE</i></b>	<b><u><u>\$ 21,120</u></u></b>	<b><u><u>\$ 4,834</u></u></b>	<b><u><u>\$ 25,954</u></u></b>

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
June 30, 2008

	<u>FOOD SERVICES</u>	<u>ATHLETICS</u>	<u>COMBINED</u>	<u>COMBINED BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES:</b>					
Local Sources:					
Sale of meals & milk	\$ 78,914		\$ 78,914	\$ 81,500	\$ (2,586)
Admissions		\$ 15,547	15,547	18,800	(3,253)
Interest	188	22	160	130	30
Other	1,309	13,449	14,758	11,900	2,858
Total Local Sources	<u>80,361</u>	<u>29,018</u>	<u>109,379</u>	<u>112,330</u>	<u>(2,951)</u>
State Sources:					
State Lunch Aid	11,146		11,146	11,000	146
Other	1,535		1,535	1,535	-
Total State Sources	<u>12,681</u>	<u>-</u>	<u>12,681</u>	<u>12,535</u>	<u>146</u>
Federal Sources:					
National School Lunch Program	124,301		124,301	130,000	(5,699)
USDA Commodities	6,993		6,993	8,300	(1,307)
Total Federal Sources	<u>131,294</u>	<u>-</u>	<u>131,294</u>	<u>138,300</u>	<u>(7,006)</u>
TOTAL REVENUE	<u>224,336</u>	<u>29,018</u>	<u>253,354</u>	<u>263,165</u>	<u>(9,811)</u>
<b>EXPENDITURES:</b>					
School Service Activities:					
Professional salaries	79,504		79,504	80,900	1,396
Employee benefits	45,975		45,975	54,000	8,025
Food & milk	102,277		102,277	103,500	1,223
Athletics activities		178,162	178,162	173,300	(4,862)
Miscellaneous	8,237		8,237	8,100	(137)
TOTAL EXPENDITURES	<u>235,993</u>	<u>178,162</u>	<u>414,155</u>	<u>419,800</u>	<u>5,645</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(11,657)</u>	<u>(149,144)</u>	<u>(160,801)</u>	<u>(156,635)</u>	<u>(4,166)</u>
<b>OTHER FINANCING SOURCES:</b>					
Transfers from General Fund		153,448	153,448	145,000	8,448
Transfer to General Fund			-		-
Other transfers			-		-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>153,448</u>	<u>153,448</u>	<u>\$ 145,000</u>	<u>8,448</u>
NET CHANGE IN FUND BALANCE	<u>(11,657)</u>	<u>4,304</u>	<u>(7,353)</u>	<u>\$ (11,635)</u>	<u>\$ 4,282</u>
FUND BALANCE - JULY 1	32,777	530	33,307		
FUND BALANCE - JUNE 30	<u>\$ 21,120</u>	<u>\$ 4,834</u>	<u>\$ 25,954</u>		

**CARSONVILLE-PORT SANILAC SCHOOLS**

**DEBT SERVICE FUNDS**

**COMBINING BALANCE SHEET**

June 30, 2008

	<b>DURANT DEBT SERVICE</b>	<b>2005 REFUNDING</b>	<b>2001 ENERGY CONSERVATION IMPROVEMENT BOND (QZAB)</b>	<b>TOTALS  2008</b>
<b><u>ASSETS</u></b>				
Cash and equivalents	\$ -	\$ 326,619	\$ 279,918	\$ 606,537
Due from other funds	-	212	-	212
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 326,831</b>	<b>\$ 279,918</b>	<b>\$ 606,749</b>
<b><u>LIABILITIES &amp; FUND BALANCE</u></b>				
Reserved for debt service	\$ -	\$ 326,831	\$ 279,918	\$ 606,749
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 326,831</b>	<b>\$ 279,918</b>	<b>\$ 606,749</b>



**CARSONVILLE-PORT SANILAC SCHOOLS**  
**DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**YEAR ENDED JUNE 30, 2008**

	<u>DURANT DEBT SERVICE</u>	<u>1990 DEBT SERVICE</u>
REVENUES FROM LOCAL SOURCES:		
Local Sources:		
Current tax levy	-	\$ -
Interest on investments	-	172
Total Local Sources	<u>-</u>	<u>172</u>
State Sources:		
State school aid	-	
TOTAL REVENUES	<u>-</u>	<u>172</u>
EXPENDITURES:		
Retirement of bonds	-	-
Interest on bonded debt	-	-
Bond fees and charges	-	150
TOTAL EXPENDITURES	<u>-</u>	<u>150</u>
OTHER FINANCING SOURCES (USES):		
Transfer from other funds		
Transfer to other funds		(28,959)
TOTAL OTHER FINANCING SOURCES (USES):	<u>-</u>	<u>(28,959)</u>
NET CHANGE IN FUND BALANCE	-	(28,937)
FUND BALANCE - JULY 1	-	28,937
FUND BALANCE - JUNE 30	<u>-</u>	<u>\$ -</u>

<u>2005 REFUNDING</u>	<u>2001 ENERGY CONSERVATION IMPROVEMENT BOND (QZAB)</u>	<u>SCHOOL BUS (QZAB)</u>	<u>TOTALS 2008</u>
\$ 647,422	-	-	\$ 647,422
1,087	\$ 5,336	\$ 724	7,319
<u>648,509</u>	<u>5,336</u>	<u>724</u>	<u>654,741</u>
			-
<u>648,509</u>	<u>5,336</u>	<u>724</u>	<u>654,741</u>
280,000	-	102,072	382,072
310,021	-	-	310,021
310	-	-	460
<u>590,331</u>	<u>-</u>	<u>102,072</u>	<u>692,553</u>
28,959	37,308	-	66,267
	-	(5,951)	(34,910)
<u>28,959</u>	<u>37,308</u>	<u>(5,951)</u>	<u>31,357</u>
<u>87,137</u>	<u>42,644</u>	<u>(107,299)</u>	<u>(6,455)</u>
239,694	237,274	107,299	613,204
<u>\$ 326,831</u>	<u>\$ 279,918</u>	<u>\$ -</u>	<u>\$ 606,749</u>

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**AGENCY FUND**  
**STATEMENT OF CASH RECEIPTS,**  
**CASH DISBURSEMENTS, AND LIABILITIES**  
**YEAR ENDED JUNE 30, 2008**

	BALANCE JUNE 30, 2007	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2008
Academic awards	\$ 60	\$ -	\$ -	\$ 60
Academic Memorial Fund	534	-	-	534
Alt Ed Misc	167	1,904	1,446	625
Art Club	381	50	125	306
Band	250	120	194	176
Baseball	-	-	-	-
Boys Basketball	260	9,066	9,262	64
Careers	331	-	-	331
Central office - miscellaneous	(639)	1,747	2,045	(937)
Cheerleading	(131)	271	356	(216)
Class of 2003	-	-	-	-
Class of 2004	-	-	-	-
Class of 2005	417	-	-	417
Class of 2006	(172)	172	172	(172)
Class of 2007	216	-	-	216
Class of 2008	298	3,234	2,698	834
Class of 2009	210	55	179	86
Class of 2010	370	20	-	390
Class of 2011	-	319	159	160
Community Enrichment	30	-	-	30
Cross Country Team	1,600	-	503	1,097
District Pride	68	-	-	68
Drivers Education	106	30	-	136
Economics Club	8	-	-	8
Elementary Academic Boosters	11,857	27,399	31,582	7,674
Elementary Art	59	-	-	59
Elementary Extra Curricular	1,677	1,046	1,911	812
Elementary Fund Raising	-	467	416	52
Elementary Library Book Fund	277	6,201	3,396	3,083
Elementary RIF Program	65	-	-	65
Elementary Reading Level Library	-	5,388	-	5,388
Elementary Store	32	-	-	32
Elementary Student Assistance	125	-	-	125
Elementary Student Council	67	-	-	67
Equestrian Team	175	-	-	175
Football Team	(65)	2,988	2,926	(3)
French Club	20	-	-	20
Freshman BB	237	-	-	237
Girls Basketball	7,143	-	5,543	1,600
Golf Team	181	-	-	181
High School (pop)	1,105	2,054	1,952	1,207
High School Student Assistance	404	-	-	404
High School Student Council	4,273	6,705	7,739	3,239
Honor society	588	16,241	16,555	274
Honor Society Field Trip	2,374	18,249	20,603	20
Interest earned	658	140	68	738
Library Book Fund	-	98	-	98
Middle School Student Council	638	5,000	3,796	1,842
Middle School Technology	250	-	-	250
Miscellaneous	1,657	29,769	29,565	1,851
Mitchell Memorial	189	-	-	189
Natural Helpers	161	-	-	161
Office machines	7	-	-	7
Phy. Ed. Lock Replacement	-	201	-	201
Science Department	222	-	-	222
Softball Team	523	2,560	2,586	497
Special Activities	(193)	193	276	(276)
Theater 13	451	3,943	5,773	(1,379)
Toys for Tots	32	-	-	32
Track Team	907	202	202	907
Travel Club	454	-	-	454
Video Arts	719	-	-	719
Volleyball	458	747	200	1,005
Yearbook	2,907	2,520	3,300	2,127
<b>TOTAL AGENCY FUND</b>	<b>\$ 45,255</b>	<b>\$ 149,099</b>	<b>\$ 155,516</b>	<b>\$ 38,579</b>

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**SCHEDULE OF BONDED DEBT**  
**2001 ENERGY CONSERVATION IMPROVEMENT BOND (QZAB)**  
June 30, 2008

<b>PRINCIPAL DUE MAY 1</b>	<b>DEBT SERVICE REQUIREMENT FOR FISCAL YEAR</b>	
	<b><u>JUNE 30</u></b>	<b><u>AMOUNT</u></b>
\$ 485,000	2014	\$ 485,000
<u>\$ 485,000</u>		<u>\$ 485,000</u>

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**SCHEDULE OF BONDED DEBT - DURANT BONDS**  
June 30, 2008

<b>PRINCIPAL DUE MAY 15</b>	<b>INTEREST DUE MAY 15</b>	<b>DEBT SERVICE REQUIREMENT FOR FISCAL YEAR</b>	
		<b>JUNE 30</b>	<b>AMOUNT</b>
\$ 15,842	\$ 6,137	2009	\$ 21,979
2,716	555	2010	3,271
2,845	426	2011	3,271
2,980	291	2012	3,271
3,122	149	2013	3,271
<u>\$ 27,505</u>	<u>\$ 7,558</u>		<u>\$ 35,063</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the School Aid Payments directly to the Authority's Depository.

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**SCHEDULE OF BONDED DEBT**  
**2000 DEBT RETIREMENT FUND**  
June 30, 2008

<b>PRINCIPAL DUE</b> <b>MAY 15</b>	<b>INTEREST DUE</b> <b>MAY 15</b>	<b>DEBT SERVICE REQUIREMENT</b> <b>FOR FISCAL YEAR</b>	
		<b>JUNE 30</b>	<b>AMOUNT</b>
\$ 255,000	\$ 27,300	2009	\$ 282,300
265,000	13,912	2010	278,912
<u>\$ 520,000</u>	<u>\$ 41,212</u>		<u>\$ 561,212</u>

On April 12, 2005 Carsonville-Port Sanilac School District refunded the 2011 through 2026 bonds for the purpose of better interest rates and erecting, furnishing, and equipping additions to the District's Elementary School and Middle/High School.

**CARSONVILLE-PORT SANILAC SCHOOLS**  
**SCHEDULE OF BONDED DEBT**  
**REFUNDING BONDS, SERIES 2005**  
June 30, 2008

<b>PRINCIPAL DUE MAY 1</b>	<b>INTEREST DUE</b>		<b>DEBT SERVICE REQUIREMENT FOR FISCAL YEAR</b>	
	<b>MAY 1</b>	<b>NOVEMBER 1</b>	<b>JUNE 30</b>	<b>AMOUNT</b>
\$ 35,000	\$ 134,317	\$ 134,317	2009	\$ 303,634
35,000	133,704	133,704	2010	302,408
310,000	133,092	133,092	2011	576,184
320,000	127,279	127,279	2012	574,558
325,000	121,079	121,079	2013	567,158
335,000	114,579	114,579	2014	564,158
345,000	107,879	107,879	2015	560,758
360,000	100,764	100,764	2016	561,528
370,000	93,114	93,114	2017	556,228
385,000	85,714	85,714	2018	556,428
395,000	77,773	77,773	2019	550,546
405,000	69,133	69,133	2020	543,266
420,000	60,020	60,020	2021	540,040
430,000	50,570	50,570	2022	531,140
440,000	41,433	41,433	2023	522,866
450,000	31,808	31,808	2024	513,616
465,000	21,964	21,964	2025	508,928
480,000	10,920	10,920	2026	501,840
<b>\$ 6,305,000</b>	<b>\$ 1,515,142</b>	<b>\$ 1,515,142</b>		<b>\$ 9,335,284</b>

On April 12, 2005 Carsonville-Port Sanilac School District refunded the 2011 through 2026 bonds for the purpose of better interest rates and erecting, furnishing, and equipping additions to the District's Elementary School and Middle/High School.



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

November 5, 2008

To the Board of Education  
Carsonville-Port Sanilac Schools  
Carsonville, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carsonville-Port Sanilac Schools as of and for the year ended June 30, 2008, which collectively comprise Carsonville-Port Sanilac Schools' basic financial statements and have issued our report thereon dated November 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carsonville-Port Sanilac Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement in the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We consider the deficiency described as 2008-1 and 2008-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

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Board of Education  
Carsonville-Port Sanilac Schools  
November 5, 2008

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, none of the significant deficiencies described above are considered material weaknesses.

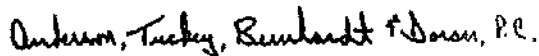
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carsonville-Port Sanilac Schools' financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Carsonville-Port Sanilac Schools in a separate letter dated November 5, 2008.

Carsonville-Port Sanilac Schools' responses to the findings identified in our audit are described in the accompanying schedule of findings and response. We did not audit Carsonville-Port Sanilac Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

November 5, 2008

To the Board of Education  
Carsonville-Port Sanilac Schools  
Carsonville, Michigan

## Schedule of Finding and Responses

### Findings considered significant deficiencies

#### **Finding 2008-1**

##### Criteria:

Effective for the year ended June 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

##### Condition:

After considering the qualifications of the accounting personnel of Carsonville-Port Sanilac Schools, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the School District, but they do not have the qualifications and abilities to generate financial statements, including required footnotes, in accordance with accounting principles generally accepted in the United States of America.

##### Cause:

The staff of the district does not understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

##### Effect:

We assist management with the external financial reporting responsibility to ensure their financial statements are accurate.

##### Recommendation:

We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

##### Client Response:

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

November 5, 2008

To the Board of Education  
Carsonville-Port Sanilac Schools  
Carsonville, Michigan

## Schedule of Finding and Responses

### Findings considered significant deficiencies

#### **Finding 2008-2**

##### Criteria:

Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client has a small staff that limits the segregation of duties.

##### Condition:

Due to the limited number of staff, many critical duties are combined and given to the available staff.

##### Cause:

The district doesn't have enough staff in the business office to have a proper segregation of duties.

##### Context:

Internal controls are weakened due to the lack of segregation of duties.

##### Effect:

Other staff members and/or contracted staff must be utilized in order to achieve good internal controls.

##### Recommendation:

At this time, we recommend the district segregate the duties whenever possible and communicate this as required by professional standards. The correct process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

##### Client Response:

We are aware of this deficiency and believe it is not cost beneficial to hire additional staff at this time. We will try to use contract staff to segregate duties whenever possible. We would expect this situation to be ongoing in future years



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Timothy Franzel

Robert L. Tuckey, CPA

November 5, 2008

To the Board of Education  
Carsonville-Port Sanilac School District  
Carsonville, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Carsonville-Port Sanilac School District as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the school district's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated November 5, 2008 on the financial statements of the Carsonville-Port Sanilac School District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

#### **Month-end procedures checklist**

During the recently completed audit, we were required by new professional auditing standards to review, inspect, test and gain a further understanding of the District's internal controls. The increased emphasis on documentation of procedures performed will continue into the future. We have provided District personnel with a month-end procedures checklist which can be customized further for your District. The purpose of this checklist is to provide District personnel with a centralized list of required month-end procedures, as well as, a place to document who completed the procedure and who reviewed the procedure performed.

We recommend the District consider implementing this checklist on a monthly basis to improve documentation of required month-end procedures and clearly document when and by whom the procedure was performed and reviewed.

#### **Uninsured bank deposits**

During recent months, we have all heard the numerous issues involving the banking industry. Currently, it is our understanding; there are limits to FDIC insured balances. Generally, the limits are \$250,000 per depositor, per bank. Districts may also request certain funds be collateralized by the bank. There are other options regarding investing surplus funds from investment pools and treasury investments to commercial paper.

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We are not investment advisors; however, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review the District's investment policy to ensure it continues to satisfy the District's goals.

**Internal Control Procedures**

Since the receipts and disbursements of the athletic, hot lunch, and student activity funds are not under the same scrutiny as the general fund. We recommend that the District, including the board, review internal control procedures for the athletic, hot lunch, and student activity funds including cash receipts procedures and expense approval procedures.

**Federal Funds**

We noted that federal funds were not requested periodically during the year. The District should request funds on a reimbursement basis as program expenditures are incurred. We recommend the district assign the federal fund accounting to a federal funds coordinator. This person needs to be responsible for the overall program administration, including monitoring expenses charged to the federal program and requesting funds on a regular basis. This would also help with the District's cash flow.

We appreciate the opportunity to be of service to the school district. The cooperation extended to us by your staff throughout the audit was greatly appreciated. We look forward each year to continuing our relationship with Carsonville-Port Sanilac School District. Should you wish to discuss any item included in this letter further, we would be happy to do so.

This communication is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

Anderson, Tuckey, Bernhardt & Doran, P.C.  
Certified Public Accountants



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

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Gary R. Anderson, CPA  
Jerry J. Bernhardt, CPA  
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Valerie J. Hartel, CPA  
Terry L. Haske, CPA  
Jamie L. Peasley, CPA  
Timothy Franzel

Robert L. Tuckey, CPA

November 5, 2008

To the Members of the Board  
Carsonville-Port Sanilac School District

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Carsonville-Port Sanilac School District for the year ended June 30, 2008, and have issued our report thereon dated November 5, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 25, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the internal control of Carsonville-Port Sanilac School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Carsonville-Port Sanilac School District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 2, 2008.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Carsonville-Port Sanilac School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Estimates have been used in calculating the liability for employee compensated absences. The estimated liability is approximately \$60,613. We evaluated the key factors and assumptions used to develop the estimate of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. We did not identify any significant disclosures.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 5, 2008.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Members of the Board and management of the Carsonville-Port Sanllac School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

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